

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

3 Case No. 22-10964-mg

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5 In the Matter of:

6

7 CELSIUS NETWORK, LLC,

8 Debtor.

9 - - - - - x

10 United States Bankruptcy Court

11 One Bowling Green

12 New York, NY 10004

13

14 November 15, 2022

15 2:00 P.M.

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21 B E F O R E :

22 HON MARTIN GLENN

23 U.S. BANKRUPTCY JUDGE

24

25 ECRO: JONATHAN

1 HEARING Using Zoom for Government RE: Debtor's Motion for
2 Entry of an Order (I) Setting Bar Dates for Submitting
3 Proofs of Claim, (II) Approving Procedures for Submitting
4 Proofs of Claim, (III) Approving Notice Thereof, and (IV)
5 Granting Related Relief. (Doc# 1019, 1184, 1331 to 1333,
6 1339, 1351)

7
8 Hearing Using Zoom for Government RE: Motion to Amend /
9 Series B Preferred Holders Motion Pursuant to Bankruptcy
10 Rule 1009 for Entry of an Order Directing The Debtors to
11 Amend Their Schedules. (Doc# 1183, 1303, 1304, 1333, 1334,
12 1342, 1351)

13
14 Hearing Using Zoom for Government RE: Approving Sale of
15 Certain of the Debtors Assets. (Doc## 687, 715, 727, 748,
16 876, 878, 910, 956, 188, 192, 357, 409, 430, 445, 626, 1060,
17 1299)

18 Adjourned Reset for 12/05/2022 at 2:00 pm

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25 Transcribed by: Sonya Ledanski Hyde

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15 ALSO APPEARING TELEPHONICALLY:

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18 CHRISTOPHER FERRARO

19 IMMANUEL HERRMANN, Pro Se Creditor

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1 P R O C E E D I N G S

2 CLERK: All right. Good afternoon. Starting the
3 recording for November 15th, 2022, at 2 p.m. Calling
4 Celsius Network, LLC, Case Number 22-10964. All right. Is
5 counsel for -- I'm admitting counsel for Kirkland. Is
6 anyone there for Kirkland that's going to be speaking on the
7 record this afternoon or if you could unmute in the
8 conference rooms and just tell me who will be speaking on
9 the record and from where?

10 MR. KWASTENIET: Hi, it's Ross Kwasteniet from
11 Kirkland. Can you hear me?

12 CLERK: Yes, I can, Ross. Thank you.

13 MR. KWASTENIET: It is my -- is the video coming
14 through?

15 CLERK: Yes. Very clear.

16 MR. KWASTENIET: Okay. I think, I think it's just
17 going to be me today from Kirkland. We may have another
18 conference room or two that dial in or that patch in but --

19 WOMAN 1: 312862 number.

20 MR. KWASTENIET: There's a 312862 number that you
21 may also see but I think they will be in listen-only mode.
22 So I think it's just, just me, just this feed, this room for
23 today's hearing.

24 CLERK: Okay. So you said 312862; is that
25 correct?

1 MR. KWASTENIET: That's correct.

2 CLERK: All right, great. I'll look out for that
3 number. Thank you for making the appearance. And then is
4 Chris Koenig just joining to listen or?

5 MR. KWASTENIET: Yeah. You know he actually got
6 tied up in a in a mediation today, so if he does tie it,
7 it'll be listen only but we don't need a presenter line for
8 him. The only other presenter line that we've requested is
9 for our CEO, Mr. Chris Ferraro.

10 CLERK: Okay. I don't see him yet, but I will
11 look out for him.

12 MR. KWASTENIET: Yeah. I asked, I asked him to
13 join by 1:30. So I'll text him now. He should be on in the
14 next, you know, 10 minutes or so.

15 CLERK: Perfect, thank you so much, Ross.

16 MR. KWASTENIET: Okay, yep. Thank you.

17 (Pause)

18 CLERK: All right. For the parties that have
19 joined, is anyone going to be speaking on the record this
20 afternoon? Again, for the parties that have joined, is
21 anyone going to be speaking on the record this afternoon?
22 Again, for the parties that have joined, is anyone going to
23 be speaking on the record this afternoon? Andrew, will you
24 be speaking? Andrew Rudolph? I'm going to take that as a
25 no. Again, is anyone that -- is there anyone that has

1 joined that will be speaking on the record this afternoon
2 and has not given their appearance yet? David Adler, are
3 you going to be speaking this afternoon?

4 MR. ADLER: Hi, Deanna. I may be, so it's David
5 Adler, on behalf of certain borrowers from McCarter and
6 English? I'm traveling right now but I'll be in a
7 stationary location by 2 p.m.

8 CLERK: Okay, thank you. All right. For the
9 parties that have joined, is there anyone that is going to
10 be speaking on the record this afternoon?

11 MR. COLODNY: Hi, I don't know if you're taking
12 appearances but Aaron Colodny, White and Case on behalf of
13 the Official Committee of Unsecured Creditors.

14 CLERK: Thank you, Aaron.

15 MR. COLODNY: Thank you. Yeah.

16 CLERK: All right. For the parties that have
17 joined, is anyone speaking on the record this afternoon that
18 has not given their appearance yet? Again, for the parties
19 that have joined, is anyone speaking on the record that has
20 not given their appearance yet? All right. Again, is
21 anyone speaking on the record this afternoon that has not
22 given their appearance yet? All right, please stop the
23 recording for now. Deb Kovsky, are you speaking this
24 afternoon?

25 MS. KOVSKY: I don't anticipate doing that, no.

1 CLERK: Okay, thank you. And then my apologies if
2 I mispronounce the name, Arie Peled, are you going to be
3 speaking this afternoon?

4 MR. PELED: Good afternoon. Not unless called
5 upon.

6 CLERK: Okay, thank you. And you and you're from
7 Venable, correct?

8 MR. PELED: That's correct.

9 CLERK: All right, pause the recording please.

10 (Pause)

11 CLERK: All right. So Brian Masumoto, are you
12 going to be speaking this afternoon?

13 MR. MASUMOTO: No, I don't plan to. This is Brian
14 Masumoto from the U.S. Trustee's Office.

15 CLERK: Okay. Shara, are you going to be
16 speaking?

17 MS. CORNELL: Possibly, yes. Shara Cornell on
18 behalf of the Office of the United States Trustee.

19 CLERK: Thank you. Is Mark Bruh going to be
20 joining as well?

21 MS. CORNELL: If he does, he'll be joining us a
22 little bit late this afternoon. Here's a conflict. I'm
23 sorry.

24 CLERK: No, that that's fine. I just want to know
25 who's speaking and who's listening. Thank you.

1 MS. CORNELL: You're welcome.

2 MR. KWASTENIET: Hi, Deanna, i's Ross Kwasteniet
3 again from Kirkland.

4 CLERK: yes.

5 MR. KWASTENIET: I'm informed that our CEO, Mr.
6 Ferraro has patched in.

7 CLERK: Yes, he's joining now. Yes. Good
8 afternoon, Mr. Ferraro, just unmute and give your appearance
9 for the record please.

10 MR. FERRARO: Hi, Christopher Ferraro, acting CEO,
11 CFO, and Chief Restructuring Officer at Celsius.

12 CLERK: Thank you. Andrew Leblanc, are you
13 speaking this afternoon? Andrew Leblanc, I don't know if
14 you can hear me. Can you let me know who from Milbank is
15 going to be speaking this afternoon? If anyone?

16 MR. LEBLANC: Yes. Hi, sorry. Andrew Leblanc at
17 Milbank. It will be me.

18 CLERK: Okay, thank you.

19 MR. LEBLANC: Thank you.

20 CLERK: And everyone else, and the other parties
21 are just listening only; is that correct? I could tell you
22 who I have on the list for a speaking line, if you want.
23 Okay, Mr. Lazar, can you unmute and give your appearance,
24 please?

25 MR. LAZAR: Yes, Vincent Lazar on behalf of the

1 examiner.

2 CLERK: Thank you. All right, please pause the
3 recording again.

4 (Pause)

5 CLERK: All right. Sorry, Mr. Herman, can you
6 give your appearance again?

7 MR. HERRMANN: Sure. Immanuel Herrmann pro se
8 creditor. I might speak.

9 CLERK: All right, thanks. All right, for the
10 parties that have joined, if anyone is going to be speaking
11 on the record this afternoon and has not given their
12 appearance yet, please unmute one at a time and give your
13 appearance.

14 MS. ROOD: Jennifer Rood from our Department of
15 Financial Regulation. I probably will not speak, but just
16 in case.

17 CLERK: Thank you, Jennifer. All right, Josh
18 Mester, are you going to be speaking this afternoon?

19 MR. MESTER: I may not speak but I'd like to make
20 the appearance, please.

21 CLERK: Please do.

22 MR. MESTER: Josh Mester of Jones Day on behalf of
23 CDP Investissements, Inc.

24 CLERK: Thank you. Is anyone else from Jones Day
25 going to be speaking this afternoon potentially besides

1 yourself?

2 MR. MESTER: No, no one else.

3 CLERK: Okay, just confirming. Thank you.

4 MR. MESTER: Thank you.

5 CLERK: All right. I know Mr. Leblanc joined, but
6 is there anyone else from Milbank on behalf of the Series B
7 Preferred Shareholders that is going to be speaking this
8 afternoon?

9 MR. LEBLANC: No, I expect it will only be me.
10 Mr. Dennis Dunn from Milbank may also join, but I don't
11 anticipate he would have to speak.

12 CLERK: Thank you, Mr. Leblanc.

13 MR. LEBLANC: Thanks, Deanna.

14 CLERK: All right, Joel Anthony, are you speaking
15 on the record this afternoon? All right, I'm going to take
16 that as a no. All right, please pause the recording again.

17 (Pause)

18 CLERK: Please give your appearance again.

19 MR. PESCE: Thank you. Hi, it's Gregory Pesce,
20 White and Case on behalf of the Official Creditors
21 Committee.

22 CLERK: Thank you. And Mr. Turetsky.

23 MR. TURETSKY: Hi, it's David Turetsky of White
24 and Case on behalf of the Committee.

25 CLERK: Okay, is anyone else going to be speaking

1 this afternoon on behalf of White and Case?

2 MR. TURETSKY: Has Aaron Colodny entered his
3 appearance yet?

4 MR. COLODNY: I have, David.

5 MR. TURETSKY: Okay.

6 CLERK: Okay, thank you. All right, for the
7 parties that have been admitted, if anyone is going to be
8 speaking on the record this afternoon that has not given
9 their appearance, please do so at this time.

10 Okay. Again, for anyone that has joined, been
11 admitted to the afternoon's hearing, if you have not given
12 your appearance and are speaking on the record, please give
13 your appearance at this time. All right, please pause the
14 recording.

15 (Pause)

16 CLERK: Shoba, please unmute and give your
17 appearance, please.

18 MS. PILLAY: Thank you. Shoba Pillay from Jenner
19 Block. I'm here as the examiner. Thank you, Deanna.

20 CLERK: Thank you. You're welcome. All right.
21 For the parties that have been admitted, if anyone is going
22 to be speaking this afternoon, please unmute your line and
23 give your appearance for the record if you have not already
24 done so. All right please pause the recording again.

25 (Pause)

1 CLERK: For the parties that have joined the
2 hearing that have not given their appearance and are
3 speaking on the record this afternoon, if you have not given
4 your appearance yet, please unmute one at a time and give
5 your appearance for the record.

6 MR. KOTLIAR: Hi, Deanna, this is Bryan Kotliar of
7 Togut Segal and Segal on behalf of the Ad Hoc Group of
8 Custodial Account Holders. I don't expect to speak, but I
9 may have to if something comes up.

10 CLERK: Okay. Thank you, Bryan.

11 MS. KOVSKY: This is Deb Kovsky on behalf of the
12 Withhold Account Holders. I also, as I said before, I'm not
13 anticipating having to speak unless called on or if I need
14 to answer something specific, so that Withhold Account
15 Holders.

16 CLERK: Okay, thank you. All right. Judge, would
17 you -- it's almost two o'clock. Can I state the
18 announcements or do you, would you like --

19 THE COURT: Yes, please do.

20 CLERK: All right. If everyone could please pay
21 attention to the following. All persons are strictly
22 prohibited from making any recording of court proceedings
23 whether by video, audio, screen chat or otherwise.
24 Violation of this prohibition may result in the imposition
25 of monetary and non-monetary sanctions. The clerk of the

1 court maintains an audio recording of all proceedings which
2 constitutes the official record.

3 Parties must state their name each time they speak
4 on the court record. A party must join from the waiting
5 room with a full first and last name to be admitted from the
6 waiting room. Parties that join with initials, a partial
7 name, a designation such as iPhone, et cetera, will not be
8 admitted. Judge, would, would you like to begin?

9 THE COURT: Yes, I would. Thank you very much.
10 Good afternoon, everyone. We're here in Celsius 22-10964.
11 We have three things on the agenda today. There's the
12 Debtor's motion to set the bar date, I think it was ECF
13 1019, as to which there was an objection by the Preferred
14 Holders. And there's also the Preferred Holders' motion to
15 amend schedules, ECF 1183.

16 The Court is advised of a resolution between the
17 Debtors and the Preferred Holders with respect to both of
18 those matters. I want to take those up very quickly first.
19 Then additionally, we were going to have this afternoon an
20 update on the Debtor's business activities, I think, by Mr.
21 Ferraro. So let's deal quickly with the bar date and motion
22 to amend the schedules. Who's going to begin for the
23 Debtors?

24 MR. KWASTENIET: Great, it's Ross Kwasteniet from
25 Kirkland and Ellis on behalf of the Debtors. Can you see me

1 and hear me okay, Your Honor?

2 THE COURT: I can. Go ahead.

3 MR. KWASTENIET: Great, thank you, Your Honor.

4 The first item on the agenda today is the Debtor's bar date
5 motion. We did get one -- I'm getting some background
6 noise. Is everybody else hearing that? If not, I'll push
7 through, but I don't want --

8 THE COURT: Okay. Anybody -- everybody needs to
9 mute their line except for the person who's addressing the
10 Court. Go ahead, Mr. Kwasteniet.

11 MR. KWASTENIET: Thank you very much, Your Honor.
12 That that seems to have taken care of it on my end. So,
13 Your Honor, the first item on the Debtor's agenda today is
14 our motion to set a bar date. It was filed at Docket Number
15 1019. There was a limited objection filed by certain Series
16 B Preferred Holders, who I believe are represented on the
17 line here today, at Docket Number 1184.

18 And we worked with the parties, including the
19 Official Committee, Your Honor. And we came up with a
20 revised form of order that I will represent resolves
21 everybody's objections, but they can speak for themselves
22 certainly, Your Honor. And we filed that revised proposed
23 form of order at Docket Number 1339. And the main change to
24 that order, Your Honor, is simply an affirmation, a
25 confirmation by the Debtors that to the extent Your Honor

1 issues rulings in the case that impact the claims process,
2 whether the need to list claims in US dollars or to amend
3 the legal entities at which the Debtor's scheduled claims,
4 that we will promptly amend the schedules as necessary to
5 comply with Your Honor's order, whatever that may be.

6 Your Honor, I'd also represent that the resolution
7 of the bar date motion was also tied up with the resolution
8 of the credit -- the Shareholders' 1009 motion. So they're
9 sort of part and parcel, Your Honor.

10 THE COURT: Why don't you describe that? I agree
11 that they clearly are. They're clearly related and the
12 resolution would resolve both of those. So go ahead and
13 describe that, if you would.

14 MR. KWASTENIET: I'd be happy to, Your Honor. The
15 resolution of the 1009 order just goes into a little bit
16 more detail, Your Honor, with respect to the potential
17 resolution in the future of the claims issue and what we're
18 calling the, you know, the form of currency or is it dollar
19 or crypto issue? And we went into more detail in connection
20 with that order about how we would revise the schedules. Of
21 course, any -- if we revise the schedules, that would give
22 affected creditors the opportunity, there would be a notice
23 to any creditor affected and an opportunity for them to then
24 file a proof of claim form, Your Honor. But it really is
25 just a more detailed version of the resolution that I've

1 already described with respect to the bar date motion.

2 THE COURT: And as I understand it, you'll include
3 a table that will show the dollar value of various forms of
4 crypto assets as of the petition date; is that correct?

5 MR. KWASTENIET: That is correct, Your Honor.
6 We're in in the process of circulating and discussing the
7 Debtor's proposed form of table. It won't surprise you that
8 it matters at what point in time you pick and on what, you
9 know, exchange you pick. But the Debtors do have their own,
10 I don't call proprietary, but their own view of, you know,
11 how we track cryptocurrency pricing and we've submitted what
12 we think the table would be as of the effective date or as
13 of the petition date rather, Your Honor. And assuming
14 agreement between the parties, and again, everybody's
15 reserving rights to, you know, later object as to what the
16 particular dollar amount is. The table is not intended to
17 be binding and conclusive for all purposes, but rather
18 illustrative of the Debtor's view of the crypto pricing as
19 of the petition date. And we're going to take the time to
20 answer any questions that the Series B Holders or the
21 Committee have in advance of us filing that schedule.

22 But again, from the Debtor's standpoint, Your
23 Honor, these, you know, one of the unique features of these
24 cases, of course, is the fact that customers deposited
25 cryptocurrency and we thought as a baseline for any

1 efficient claims process, it's important that we first get
2 agreement on -- and we've stated our views voluminously in
3 our schedules and statements -- as to what the
4 cryptocurrency coin-like counts were by creditor as of the
5 petition date. And the idea with the form, Your Honor, is
6 that anybody can use that form to calculate the dollar value
7 of any particular crypto right? It's, you know, it'll be
8 listed by coin type. And then so for the individual
9 customer, they can look at what coins they had and how many
10 they had and then they can look at the table and do -- it's
11 a pretty simple, you know, multiplication exercise to come
12 up with what the dollar value would be.

13 THE COURT: All right. I'm quite happy with that
14 resolution. First, everyone should understand this is going
15 to be without prejudice to any ultimate determination of
16 claim amount in U.S. dollars or otherwise, depending on what
17 -- obviously, that's an important issue. It's premature for
18 the Court to get to that now. And the fact that there may
19 have been fluctuations in the value of coins during the day
20 of the petition filing or on various exchanges is also going
21 to be without prejudice. I view this as an important piece
22 of information for all parties in interest to be able to
23 use.

24 So it's not going to be binding on any
25 determination by the Court as to what the appropriate

1 currency or let me take -- withdraw the term currency -- the
2 appropriate form in which claims should be allowed. So let
3 me say that.

4 Mr. Leblanc, you have your hand raised. Go ahead.

5 MR. LEBLANC: Thank you, Your Honor. Andrew
6 Leblanc of Milbank on behalf of the Series B Preferred
7 Holders. Your Honor, I can, I can just confirm Mr.
8 Kwasteniet's discussion of the resolution of the two issues
9 and like you, we think this is an efficient solution to the
10 issue to make sure that everybody has available to it the
11 information to do the calculation to the extent that that
12 becomes a relevant question as we move forward in the cases.
13 And then obviously, it has the other elements of the
14 resolution, that if it does become relevant, the Debtors
15 will amend their schedules.

16 I would also add, Your Honor, another element of
17 the discussion that we had with the Debtors was the filing
18 of a procedures motion which was just filed yesterday. It
19 is not for hearing today. It will be considered at the
20 December 5th hearing. But we negotiated a schedule with
21 them with respect to the issue that is tied up in the bar
22 date order. The question of where claims sit and that
23 schedule will be considered. But that was the third leg of
24 the stool of our discussions with the Debtors and resolving
25 these two open issues. But as I said, Your Honor, we were

1 satisfied with the resolution of these and we think this is
2 an efficient way to move forward with issues that are global
3 to these cases and ultimately will have to be resolved for
4 the company to get to a plan of reorganization and to
5 confirmation.

6 THE COURT: Thank you, Mr. Leblanc. I just want
7 to make one comment on schedule. Mr. Pesce, I'll recognize
8 you in a moment. The December 5th hearing already has a
9 very, very full agenda. There are a number of motions, most
10 of which I think were filed by pro se creditors, but it
11 isn't because of that that I've moved them. The Court is
12 very mindful of the importance of deciding matters in this
13 case and I've tried throughout to do that, to decide things
14 as promptly as possible. So no one should think that
15 because some or all motions are moved to a different date --
16 I haven't seen your procedures motion yet, Mr. Leblanc. I
17 don't guarantee that will actually be heard on December 5th.
18 I will look at the agenda as a whole. I'm trying to see
19 whether I can schedule things in an orderly fashion. There
20 are some, I don't want to necessarily call them gating
21 issues, but there are some issues that once resolved, I
22 think will point to the answers for other motions that may
23 ultimately be filed. So I'm not suggesting one way or the
24 other that your procedures motion and schedule are going to
25 get moved, but it's a possibility.

1 Mr. Pesce, let me recognize you.

2 MR. LEBLANC: Your Honor, I'm sorry. Andrew
3 Leblanc again. Just to be clear, just for your purposes,
4 Your Honor, it's actually the Debtors who filed the schedule
5 motion.

6 THE COURT: Whoever filed it. I just, I don't
7 guarantee anybody that things will be heard precisely when
8 they think it should be heard because I need to control the
9 agendas for each hearing, so that I can get through all of
10 those things. But thank you very much, Mr. Leblanc. Mr.
11 Pesce, do you want to be heard?

12 MR. PESCE: Yes. With respect to the bar day and
13 the 1009 motion, my colleague, Mr. Colodny, was going to
14 speak to those, but as to the briefing schedule, just
15 because we're getting a lot of inquiries from creditors.
16 You know we are not signed off on briefing that issue
17 outside of confirmation. It's something we're looking at
18 and we want to move the case along quickly, and we're not
19 sure that motion would accomplish that. So we want to just
20 put on the record that we don't agree with it. We're
21 reviewing it. We expect it will be a factor that we look
22 into it, the confirmation -- or the exclusivity hearing.
23 And, you know, we reserve rights on that for the time being
24 and I just want to put that on the record, Your Honor.

25 THE COURT: All right. Thank you very much. All

1 right. With everything that's been said so far, the two
2 motions, the bar date, motion and the motion to amend the
3 schedules are granted subject to the changes that have been
4 discussed. I'm very satisfied with those resolutions of
5 those issues.

6 All right. So the other thing that's on the
7 agenda for today that I do want to hear is the business
8 update and I believe Mr. Ferraro was going to give that.

9 MR. KWASTENIET: Yes, Your Honor. Again, Ross
10 Kwasteniet from Kirkland and Ellis for the record. We
11 appreciate you making time in the calendar today for us to
12 give an update. You requested it at our last hearing. The
13 need for an update is perhaps, you know, all the greater
14 given the events of the past week and part of the update,
15 Your Honor, I propose to proceed in the form of a bit of a Q
16 and A where I'll maybe ask Mr. Ferraro some questions and he
17 can respond. We also intend this, Your Honor, as an
18 opportunity to the extent Your Honor has questions, you
19 know, of Mr. Ferraro, please jump in. But Mr. Ferraro is a
20 relatively new chief executive officer and we've been
21 working very, very closely with him. Mr. Ferraro has also
22 been engaging directly with the Creditors Committee and the
23 examiner and other parties in the case, but it occurred to
24 us that he has not yet had an opportunity to present to Your
25 Honor. And so without further ado unless Your Honor has

1 anything off the top, I would like to proceed with a brief
2 presentation from Mr. Ferraro.

3 THE COURT: All right. Let me say it the outset
4 it is not my intention that Mr. Ferraro be sworn and that he
5 be giving testimony today. Because I don't plan to have
6 cross-examination. Let me make that clear.

7 MR. KWASTENIET: Thank you, Your Honor.

8 THE COURT: I want to hear the business update.
9 I'll certainly, I'll let you start with some questions and
10 see how that's going. Mostly I want to hear from Mr.
11 Ferraro. I think what you and your colleagues had suggested
12 that when I raised the issue about a business update, you
13 offered up Mr. Ferraro to do that and I certainly would like
14 to hear that.

15 Let me raise right now one question I do have that
16 I would like addressed at some point in light of the events
17 of the last week with respect to FTX. And that is did the
18 Debtors make any transfers of value, whether it's in
19 cryptocurrency or dollars, to FTX before or after the freeze
20 on accounts? And obviously, I'm assuming there were, and
21 you can confirm this, there were no transfers post-petition.
22 So are you able to confirm that, Mr. Kwasteniet?

23 MR. KWASTENIET: I'll ask Mr. Ferraro. My
24 understanding, Your Honor, is that there were no transfers
25 of cryptocurrency after the pause or after the petition

1 date.

2 THE COURT: Okay. And just to be clear, I'm also
3 interested if there were transfers to FTX before the freeze
4 date. And, if so, when? Obviously, there are a lot of
5 questions about the freeze that have been raised by pro se
6 creditors and others and I'm sure it's something the
7 Committee has looked at as well. So that's something I'm
8 interested in. I don't, as I say, Mr. Ferraro is not being
9 put under oath and there will not be any cross-examination
10 today, but I do want to hear the business update. So go
11 ahead, Mr. Kwasteniet.

12 MR. KWASTENIET: Great. Thank you, Your Honor.
13 And we did, we will definitely cover, you know, the
14 relationship and the impact as we see it today. It's still
15 a developing situation obviously. But the impact as we see
16 it today of the FTX and Alameda and their related entities,
17 they're filing, that is definitely a key part of what we
18 plan to cover. But maybe just at the beginning, Mr.
19 Ferraro, do you mind please just describing your background
20 to the Judge? What did you do before you started at
21 Celsius?

22 MR. FERRARO: Yeah. Thanks, Ross. And good
23 afternoon, Your Honor. My name is Christopher Ferraro. I'm
24 the chief, interim CEO, chief restructuring officer, and
25 chief financial officer of Celsius. I was appointed as

1 chief financial officer on July 11th, 2022 and was appointed
2 as acting chief executive officer and chief restructuring
3 officer on September 27th of this year. I have
4 approximately two decades of experience in financial
5 planning and analysis, asset and liability management, and
6 product control. Before my roles with Celsius, I was a
7 senior managing director of Cerberus Operations and Advisory
8 Company where I focus on improving the operations for two
9 legacy portfolio positions.

10 In this role, I advised the chief executive
11 officer and leadership team on increasing profitability by
12 changing and repricing business mix, restructuring costs,
13 and optimizing the balance sheet.

14 Prior to Cerberus, I served in various roles at
15 JPMorgan Chase from 2001 to 2018. I was head of financial
16 analysis where I responsible for all FP&A activities,
17 developed analytical tools and authored a patent application
18 in forecasting. Before my role as financial, as head of
19 financial analysis, I was the treasurer of the consumer
20 bank.

21 MR. KWASTENIET: Great. Thank you, Mr. Ferraro.
22 Um can you maybe now turn to the Judge's question about what
23 financial exposure Celsius has to FTX or the FTX group of
24 companies including Alameda, et cetera, as best you know.

25 MR. FERRARO: Yeah. As of today, the company has

1 four loans outstanding to Alameda totaling around \$12
2 million or 11 million of net exposure, including the
3 collateral. And the remaining coins deployed on FTX, mostly
4 unlocked SRM tokens with a value of approximately one
5 million, for a total net exposure of 12 million to FTX and
6 Alameda. For context, the company's exposure to this group
7 was 3.6 billion in January of 2022, 437 million at the pause
8 in mid-June and 354 million just before the filing in mid-
9 July.

10 THE COURT: Just give me those figures again, Mr.
11 Ferraro as of the pause.

12 MR. FERRARO: I'll start back to early 2022 just
13 to go over it slowly. 3.6 billion in January of 2022. 437
14 million at the pause in mid-June and 354 million just before
15 the filing. Just for context, the 12 million total net
16 exposure as of today is a 99.9% reduction from the peak in
17 early 2020. This is in part as a result of Celsius efforts
18 to reduce exposure to third-party crypto platforms during
19 the week preceding its Chapter 11 filing.

20 So, Your Honor, we did pay down loans to FTX and
21 return collateral between the pause and the filing.

22 MR. KWASTENIET: Mr. Ferraro, the loans that you
23 unwound or paid down before the filing, were those generally
24 over collateralized loans?

25 MR. FERRARO: Yes, they were.

1 MR. KWASTENIET: So they were, they were a secured
2 loan where part of the collateral was used to pay off the
3 exposure resulting in a return of the collateral, meaning
4 that, at that point, once the collateral was returned, we
5 were no longer a creditor of FTX, if you will, for that over
6 collateralized position. Is that, is that a fair summary?

7 MR. FERRARO: That's right, yes.

8 MR. KWASTENIET: Okay. Mr. Ferraro, there's also
9 been a lot of press this past week that has engendered a lot
10 of concern throughout the crypto community about the alleged
11 hack at FTX. Can you let us know, just remind the Court,
12 you know, your perspective on crypto security at Celsius and
13 whether Celsius has taken steps to prevent the risk of the
14 type of hack that appears to have happened post-petition at
15 FTX?

16 MR. FERRARO: Yeah, we're not sure exactly what
17 has happened, but I'm going to give you a little bit of our
18 kind of security posture. So first I want to note that we
19 negotiated a comprehensive security protocol with the UCC.
20 This was recently approved by the Court and we are complying
21 with that protocol. We have a 24/7 team of security experts
22 monitoring wallets, hack attempts on our user accounts,
23 production environments, and employee machines. I want to
24 give some details specifically on the controls around the
25 movements of cryptocurrencies.

1 As we unwind deployments, all coins are brought
2 back to Fireblocks and in Fireblocks, the coins are located
3 in several workspaces, which are all frozen except for the
4 mining work space, where there is a small amount of coins
5 given that we sell to BTC weekly.

6 To move any coins, first, a workspace must be
7 unfrozen. To do this, a quorum of four executives are
8 required for the approval. The approval is done using a
9 video verification with the staff of Fireblocks. Then, to
10 whitelist a new wallet destination, four executives in
11 various locations are needed to sign in digitally in an MPC
12 or multi-party computation system. In addition, any
13 transfers to existing wallets require approval by three
14 executives using the same MPC technology.

15 Workspaces are kept open only until the approved
16 transaction is complete and are then refroze immediately.
17 All coin movements are approved by key stakeholders and
18 documented.

19 MR. KWASTENIET: Thank you. Mr. Ferraro, can you
20 give the Judge a sense of what kind of business activities
21 Celsius is currently engaged in?

22 MR. FERRARO: Yeah, thanks, Ross. Starting June
23 12th, 2022, and throughout the filing of these Chapter 11
24 cases, the Debtor paused all withdrawals, swaps and
25 transfers on their platform. While certain business

1 activities such as asset deployment and marketing are no
2 longer happening, other activities such as data and security
3 and platform maintenance remain critical. Moreover, new
4 responsibilities have emerged, including developing a
5 potential go forward plan, populating more than 10,000 pages
6 of schedules and statements, responding to due diligence and
7 investigation requests and facilitating multiple sales
8 processes. On a daily basis, the Debtors oversee and
9 sustain the company's digital security, IT infrastructure,
10 and manage all aspects of their business while also
11 continuing to comply with the requirements of operating the
12 company in Chapter 11, including responding to requests from
13 parties and interests and addressing new issues raised in
14 these cases.

15 Importantly, the Debtors are managing cash and
16 digital assets on the platform, including monitoring and
17 recovering deployed assets, sustaining data management and
18 cybersecurity, and performing, accounting, legal and
19 compliance oversight, as well as other critical functions,
20 in which I'll go to in detail shortly.

21 Specifically, the Debtor's employees are working
22 with the Debtor's advisors in terms of a new business plan
23 with the goal of using these Chapter 11 cases to reorganize
24 and emerge as a new cryptocurrency platform, a platform
25 owned by and operated for the benefit of the customer

1 community and that complies with all applicable regulations.
2 Additionally, to date, the company has rejected 34 executory
3 contracts including all real estate leases on the Debtor's
4 entities at the time of filing and is currently working
5 through an assessment for rejection of an additional 323
6 executive contracts.

7 MR. KWASTENIET: Thanks, Mr. Ferraro. Can you
8 also give the Judge a sense of what are the different
9 business functions within the company and what employees in
10 those functions are working on on a daily basis?

11 MR. FERRARO: Yeah. Thanks. Thanks, Ross. Your
12 Honor, the Debtor's technology team including engineering,
13 security and IT total 75 employees. This group continues to
14 provide technical analytics, oversea crypto-related
15 calculations, ensuring the operation of the daily trial
16 balance and reconciliation processes, including tracing
17 transactions and identifying discrepancies, maintaining and
18 operating the backend data infrastructure, developing
19 software to integrate and maintain third-party data sources.
20 Importantly, the team is preparing the systems for the
21 eventual outcome of the process such as custody withdrawals
22 and maintains a 24/7 security watch over assets and
23 community accounts including the monitoring of social media
24 for threats of cyber and physical nature.

25 The Debtor's finance team comprised of 22

1 employees, continues to engage in company-wide accounting,
2 cash flow management, tracking and monitoring of digital
3 asset movements, balance sheet reporting, financial
4 modeling, valuations and the group oversees the tax and
5 payroll obligations.

6 The Debtor's product team, comprised of 10
7 employees, is working to design a set of products and
8 services that are financially sustainable, secure,
9 innovative with a path towards full regulatory compliance.
10 And we look forward to having conversations further on this
11 topic.

12 The Debtor's regulatory team, comprised of three
13 employees, is working with the Debtor's advisors to address
14 inquiries from regulatory authorities, responding to and in
15 constant communication with regulators around the world to
16 address questions about both prior practices and as well as
17 how future services would comply with current and developing
18 regulations.

19 The Debtor's legal team, comprised of six
20 employees, is working to address corporate governance and HR
21 employment matters to provide oversight and input on
22 litigation and claims and affirmative actions against third
23 parties.

24 Finally, the Debtor's human resources department,
25 comprised of 13 employees, is working to maintain open

1 communication with all employees, manage payroll, employee
2 tax and benefits, and ensure compliance with local labor
3 laws and regulations. Additionally, the human resources
4 department has been overseeing the company's global
5 reduction in force.

6 MR. KWASTENIET: Mr. Ferraro, are there any other
7 business activities or projects that you wanted to flag
8 specifically in addition to what you've already mentioned?

9 MR. FERRARO: Yeah. Thanks, Ross. I wanted to
10 call out four specifically. First, with respect to mining,
11 a lot of activity in the mining space. The Debtor's
12 employees are overseeing and driving the build out of the
13 Debtor's Midland proprietary sites located in Texas, which
14 will house approximately 20 percent of the mining works.
15 The build out requires managing third-party contractors,
16 vendors, and power contracts. The Debtors are also engaged
17 in negotiations with certain of their existing and potential
18 new hosting providers to ensure the effective continuation
19 of mining activities.

20 Second, the Debtor's employees are continuing to
21 work with the Debtor's advisors to continue and produce
22 digital asset based reports and update and improve the 13
23 week casual model to manage liquidity.

24 Third, the Debtor's employees are involved in the
25 ongoing maintenance and operation of the Debtor's security

1 protocols to ensure that the platform remains secure at all
2 times. These security protocols include processes and
3 procedures involving multidisciplinary teams that are
4 designed much like that of a bank or a large enterprise with
5 enhanced security.

6 And finally, fourth, the Debtor's product ops
7 compliance and engineering employees have expended
8 significant time preparing for the potential withdrawal of
9 certain digital assets pursuant to the Debtor's pending
10 custody and withheld motion filed on Docket 670. To ensure
11 strict compliance with any court order, employees are
12 working with the Debtor's advisors to identify a subset of
13 customers who will be authorized to withdraw certain digital
14 assets from the platform. The group is also handling
15 various Chapter 11 reporting and diligence responsibilities.

16 MR. KWASTENIET: Mr. Ferraro, can you -- is there
17 anything else you want to get into with respect to specific
18 activities related to the Chapter 11 cases themselves?

19 MR. FERRARO: Yes. As Your Honor is aware, the
20 Debtors have produced hundreds of thousands of pages of
21 information and documents in support of the court filings,
22 UCC requests, investigations and the examiner. The Debtor
23 takes this reporting and diligence obligations seriously and
24 many employees are working tirelessly to respond to
25 information requests from the examiner, the UCC, aid and

1 federal regulators, the Debtor Special Committee, potential
2 bidders in the Debtor's sales processes and other
3 stakeholders.

4 MR. KWASTENIET: Mr. Ferraro, can you talk about
5 the current level of employees at the company and how
6 attrition has impacted the case, if at all?

7 MR. FERRARO: Yeah, we faced significant
8 reductions in the workforce due to both voluntary and
9 involuntary attrition. Just to give a couple of numbers.
10 At the start of 2022, the Debtors had approximately 920
11 employees. As of today, including the attrition thus far in
12 November, we will be conducting operations with just under
13 170 employees, a decrease of over 80 percent from earlier
14 this year. And we expect the number to be lower at year
15 end, given the attrition rate. With the reduction of
16 workforce, extra burdens have fallen on our remaining
17 employees. The employees are committed to dedicating
18 immense time and effort to successfully sustain and manage
19 the aforementioned aspects of the Debtor's businesses.

20 It is crucial to the success of these Chapter 11
21 cases that the Debtor retain their remaining employees
22 throughout this process and after to ensure value maximizing
23 resolution.

24 MR. KWASTENIET: Mr. Ferraro, at our last hearing,
25 the Debtors were prepared to move forward with a key

1 employee retention or KERP motion. And there's been
2 significant attrition even within that population. Is there
3 anything you want to say about our efforts to revamp the
4 KERP and to proceed forward with an amended, perhaps more
5 focused, responsive KERP in light of the ongoing attrition?

6 MR. FERRARO: Yeah, this is incredibly important
7 to the estate and maximizing value. We had, and the numbers
8 are a little bit foggy, but significant attrition from the
9 original 62 individuals on the KERP list. It's hard to keep
10 up with the attrition on a daily basis. We're losing 30-40
11 employees per month. So I think flexibility in the pool to
12 adjust for changing workloads on the remaining employees is
13 key and an expedited kind of roll out of the KERP would be
14 much appreciated to the employees.

15 MR. KWASTENIET: Thank you. Mr. Ferraro, I didn't
16 have any further questions. Is there anything else that you
17 wanted to add and then of course, Your Honor, to the extent
18 that um you have anything else you'd like to hear from Mr.
19 Ferraro, that was definitely part of our intent in having
20 Mr. Ferraro address Your Honor this afternoon.

21 MR. FERRARO: Nothing more, Ross, thank you. I'd
22 like to say thank you, Your Honor, for giving me the
23 opportunity to provide the update to the Court. Unless you
24 have any further questions, this concludes my update.

25 THE COURT: So I do have a few questions. I think

1 first, let me thank you for your presentation. I think as I
2 said at the start, this is not testimony under oath, so
3 there will not be cross examination. I'm sure there are
4 parties and interests will have more questions that may be
5 for another day. One question I have is whether there is --
6 is the Debtor -- are the Debtors generating any revenue
7 currently? What you've primarily described to me, I would -
8 - it may be a misnomer to describe it as a back office, but
9 it's the maintaining the platform, assuring, very
10 importantly assuring security of all of its assets and
11 property, but is the Debtor actually generating revenue and
12 from what sources?

13 MR. FERRARO: Yes, Your Honor. The amount of
14 revenue that we're generating is obviously at a much lower
15 clip than it was pre-filing, pre-paused, but we have revenue
16 across staking deployments, predominantly the direct state
17 positions, obviously the mining business. We do have both
18 retail and institutional loans outstanding where we are, you
19 know, recognizing interest income as it accrues up until
20 kind of maturity. And then we're also collecting on
21 outstanding loans and other exposures. So yeah, there is
22 moderate amount of top line revenue.

23 THE COURT: Well, let me focus in on mining. At
24 the beginning of this case, one of the motions that I did
25 approve was the Debtor's proposed investment in a larger

1 number of rigs. That was approved. I don't know what the
2 status of that is. You briefly mentioned the work, some of
3 the work being done with respect to mining operation but dig
4 a little deeper for me if you would. And certainly, while I
5 think the hearing has been put off on it, I think Core
6 Scientific was an important counterparty to a contract with
7 the Debtors and I don't know whether they're performing at
8 all. But tell me, tell me, if you can, what is happening in
9 the mining operation?

10 MR. FERRARO: Yeah, So we have -- well let's start
11 with Core. We have about 37,000 rigs hashing at Core. They
12 are performing. They are plugged in. The up-time is in the
13 mid 90 percent. The margins are compressed with the market
14 backdrop, but they're still positive. We also have machines
15 at another third-party host, hosting site, Mawson. Up-time
16 is a little bit lower and there's a little bit less machines
17 there. And then incredibly strategic and important is the
18 build out of the Midland's site in which one of the four
19 buildings -- and I was able to visit a couple of weeks back
20 -- one of the four buildings, the rigs are all racked and
21 hashing. There's over 3000 rigs. It's a beautiful sight,
22 new. And then there's three other sites, the second of
23 which just got energized. They'll be racking rigs really
24 throughout Thanksgiving week. So that should be online and
25 hashing soon and then the other two sites will follow.

1 THE COURT: Last question, and if you don't feel
2 comfortable answering it directly, I'll understand it, but,
3 you know, particularly over the last week or so, there's
4 been, I think roughly about a 15 percent reduction just in,
5 in the price of Bitcoin. That's not precise, but from my
6 observation, somewhere in that range. At the earlier
7 hearing when I approved the continued investment in
8 additional mining operations, I asked a question. Maybe it
9 wasn't precise, but it was the question was it appeared to
10 me that the mining operations were cashflow negative and
11 would remain so for a while. That was at a point where I
12 think the price of Bitcoin, for example, was I think closer
13 to \$20,000 rather than where it is now. Are the Debtor's
14 operations in mining cashflow positive or negative?

15 MR. FERRARO: So we're at the very, very tail end
16 of building out these sites. So there's a little bit tail
17 for those three remaining buildings that I talked about in
18 Midland. But putting those aside, from an operational
19 perspective, we are cashflow positive. The margins are
20 compressed. It's probably around 20 percent where we sit
21 today. But you know we have the ability to shut off
22 machines if cost more to produce a Bitcoin than the amount
23 that we can, you know, mint it for. So we have curtailment,
24 kind of active curtailment management. And because of that
25 we're able to mine profitably, yes, Your Honor.

1 THE COURT: All right, thank you very much. I
2 don't have any other questions for today, Mr. Kwasteniet.
3 Mr. Ferraro, I thank you for your presentation. I think
4 that it doesn't need to be at every omnibus hearing that we
5 have, but I think, you know, to the extent that there are
6 additional updates, we probably ought to start each hearing
7 with just a brief report on anything that updates from what
8 I've heard today. Okay. And I'm practically certain that
9 there will be questions that arise from pro se or
10 represented parties. And those questions I think will come
11 to the Debtor's counsel, the Committee's counsel, perhaps
12 the examiner. And I hope that that all of those positions
13 will continue to look seriously and the U.S. Trustee, excuse
14 me, Miss Cornell, will look seriously at the issues as they
15 arise. And thank you again, Mr. Ferraro. We're going to
16 end now. I'm constrained on time today. And we have
17 additional hearings coming up very soon. So we're
18 adjourned. Thank you.

19 MR. KWASTENIET: Thank you, Your Honor. Thank you
20 very much.

21 (Whereupon these proceedings were concluded at
22 2:40 PM)

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C E R T I F I C A T I O N

I, Sonya Ledanski Hyde, certified that the foregoing
transcript is a true and accurate record of the proceedings.



Sonya Ledanski Hyde

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